



STATE BOARD OF LAND COMMISSIONERS

Philip E. Batt, Governor and President of the Board
Pete T. Cenarrusa, Secretary of State
Alan G. Lance, Attorney General
J. D. Williams, State Controller
Anne C. Fox, Superintendent of Public Instruction
Stanley F. Hamilton, Secretary to the Board

MINUTES REGULAR LAND BOARD MEETING March 27, 1998

The regular meeting of the Idaho State Board of Land Commissioners was held on March 27, 1998, in Boise Idaho. The Honorable Philip E. Batt Presided. The following members were present:

Honorable Secretary of State Pete T. Cenarrusa
Honorable Attorney General Alan G. Lance
Honorable State Controller J.D. Williams
Honorable Superintendent of Public Instruction Anne C. Fox

Secretary Stanley F. Hamilton

The meeting convened at 9:15 AM and adjourned at 12:30 PM.

Governor Batt stated that the legislation concerning improvement in investment returns has passed and has been signed into law. He said several items include potential approval by the public.

CONSENT AGENDA

Director Hamilton asked that agenda item #8 be withdrawn. This item will be presented at a future meeting. There were no objections.

The following Consent Agenda was approved in its entirety, with the exception of item #8, which was withdrawn, upon a motion by Attorney General Lance and seconded by Secretary of State Cenarrusa. The motion carried on a vote of 5-0.

1. This agenda item requested approval of official transactions as follows:

Bureau of Range Management and Surface Leasing for Cropland, Grazing, Cottage Site,
Miscellaneous, and Submerged Land Leases for the month of January 1998
Bureau of Real Estate, Easement Section for January, 1998
Bureau of Real Estate, Land Sale Section for January, 1998
Bureau of Minerals for January 1998
Timber Sales for the period January 24, 1998 through February 20, 1998.

2. This agenda item presented applications for addition to the qualified bidders list, timber sales as follows:

Morgan Logging	Larry Fairfax
2055 E. Brunner Road	P.O. Box 738
Athol, ID 83801	Sagle, ID 83860

Dan Dory Logging	H & H Logging
692 Theo Street	1609 E. 1 st Avenue
Rathdrum, ID 83858	Post Falls, ID 83854

Calderone Logging	C. Howie Hodgson
P.O. Box 1012	Rt. 1, Box 96A
Bonnars Ferry, ID 83805	St. Maries, ID 83861

3. This agenda item requested approval of timber sales as follows:

A. Rathdrum 80	CR-2-0197	1,000 MBF
B. Wilson Mountain	CR-3-0410	6,610 MBF
C. Placer Junction	CR-4-0672	1,240 MBF
D. Suttler Creek	CR-4-0677	4,634 MBF
E. Price Valley West	CR-5-0088	4,075 MBF
F. Mica Sawlog	CR-3-0424	6,110 MBF
G. Too Steep Pulp	CR-3-0398	5,715 MBF

4. This agenda item requested approval of Land Board Minutes as follows:

December 9, 1997 Regular Land Board Meeting
January 13, 1998 Regular Land Board Meeting
February 10, 1998 Regular Land Board Meeting

5. This agenda item requested final approval to forfeit Dredge and Placer Mining Permit No. 295 and bond - Melvin L. Harbison

6. This agenda item requested final approval to forfeit Surface Mining Reclamation Plan No. 1215 and bond – West One Minerals, Inc.
7. This agenda item provided the results of conflicted grazing leases auction for the following:
 - A. G-8055 Free/Keller
 - B. G-8828 Hone/Pherson
 - C. G-9325 Phillips/Prouse
- ~~8. Request to change from semi-annual to quarterly rent payments for Lakeview Village~~
Agenda item #8 was withdrawn from the March agenda.
9. This agenda item requested approval to appraise for sale a small parcel of Endowment Land in Benewah County

REGULAR AGENDA

10. Director's Report

Director Hamilton provided a brief summary of the fiscal 1998 year-to-date Principal Fund Balances and Revenue Composition. Two (2) graphs were provided to show the Idaho Department of Lands contribution impact to the permanent endowment.

Attorney General Lance asked Director Hamilton if the department's timber experts have taken a look at the closure of roads and the moratorium on roads in the Federal forests and the impact that may have on our state land. Director Hamilton said this has been looked at in a general manner because the state has access to most of its land. This is a huge impact for the state overall in the sense that there may be some problems for catastrophic fire if you can't get in to fight it. There may be some problems with areas that might have been logged had the moratorium not come along. The state has access across most of its lands through existing access either across private lands, state lands or existing access across federal lands. He said he did not see the moratorium affecting this. Attorney General Lance stated his interpretation of this statement is that we do have some state assets, which will be at risk in terms of fire protection as a result of road closures. Director Hamilton said non-endowment land assets. Any endowment land assets we have are roaded to a condition where we can fight the fire effectively, but there are federal lands that the only way to get at them will be with jumpers and perhaps some aerial attack.

Secretary of State Cenarrusa asked where the state stands compared to the national forest timber profits/deficits. Director Hamilton said overall their capability to produce timber would be far above ours – about 800 MBF a year to compared to our 175 MBF. The state produces its 175 MBF. The forest service's numbers have dropped off dramatically over the last five years and continue to decline. Secretary of State Cenarrusa asked if the state's profits were up.

Director Hamilton said all the Board's sales are profitable sales. This is a requirement the Board has that the development costs on a sale may not exceed 50% of the total value of the sale. Not all of the forest service sales are profitable.

11. Request approval to enter RFP process for potential commercial lease – Deinhard 80, McCall (Department of Labor)
Presented by Alvin Carr – Commercial and Recreational Leasing Specialist

Director Hamilton introduced Mr. Alvin Carr who provided the background information for this item. Director Roger Madsen, Department of Labor was present to express his agency's interest in leasing this parcel. Director Madsen stated that the Department of Labor tried to work with the Department of Health and Welfare on a joint building process in McCall, but it doesn't appear to be possible at this time.

Director Madsen stated that McCall is a high unemployment area and they are trying to expand their services in rural Idaho where the services are more greatly needed. The Department of Labor has the finances to go ahead at this time and Director Caballero of the Department of Health and Welfare was unable to secure financing at this time. The Department of Lands, Department of Labor and Department of Health and Welfare – when they are able to build will all be closely located. Director Madsen stated that this would be state money (not general fund money) and the building would cost approximately \$335,000. The lease cost of the land will be approximately \$13,000 per year.

Superintendent Fox asked if the Department of Labor could build a larger facility and rent to the Department of Health and Welfare. Director Madsen said his department looked into this, along with legal counsel, and it was determined this could not be done.

Attorney General Lance moved to provide conceptual approval to enter into the RFP process. State Controller Williams seconded the motion. The motion carried on a vote of 5-0.

Governor Batt discussed some of his frustrations on this issue, stating that he felt it would have been more economical if the two departments could have shared a building. Attorney General Lance stated that the Land Board needed to keep in mind that the responsibility of this board is to increase and maximize the returns. A responsibility of the state agencies is to get the best deal they can. We need to be sensitive that the mission of the Land Board is a little bit different.

12. Request for Final Board Approval for the Proposed State of Idaho/Heidi Baldwin Land Exchange
Presented by Perry Whittaker, Chief Bureau of Real Estate

Director Hamilton introduced the agenda item and Perry Whittaker provided the background information. Mr. Whittaker stated that this is a request for final approval to complete an exchange that has been in process since 1992. Mr. Whittaker said prior to the exchange, legal

access is presently unavailable to the state and cannot be developed to its highest and best use as homesite development.

Geothermal lease H-1005 to Jeffery Clark Huber and metalliferous minerals lease #9050 to Michael Hengle currently encumber the state property which Ms. Baldwin proposes to acquire. The Department proposes to reserve mineral rights on the state land until these leases expire. Upon expiration of the leases, the state will grant title to the minerals to Heidi Baldwin and Ms. Baldwin will grant title to minerals to the state as part of the exchange.

Attorney General Lance asked Nick Crema, Deputy Attorney General, if there were any legal impediments to this exchange existing at the present time. Mr. Crema stated that there were a number of legal issues that had arisen in working this to fruition. He stated that he was satisfied that both the interest of the state and the interest of Heidi Baldwin had been accommodated in reaching agreement on those issues.

Attorney General Lance asked Mr. Burke, counsel for Ms. Baldwin, if he felt both parties were adequately protected under the present arrangement that has tentatively been reached between the Department of Lands representatives and Ms. Baldwin. Mr. Burke stated yes, however, he did state the appraisal that came in indicated the state is receiving one million thirty thousand dollars more in value than Ms. Baldwin. Ms. Baldwin is going to gift that amount to the state so it will be an equal exchange.

Superintendent Fox moved to approve the completion of the exchange of 23.23 acres of state land comprising two (2) future homesites for the Baldwin SNRA property together with developed, assignable access. Approval is with the understanding that both the State of Idaho and Heidi Baldwin will reserve mineral rights. Once the geothermal and metalliferous leases have expired on the state land, both the State and Heidi Baldwin will deed mineral rights to each other. Secretary of State Cenarrusa seconded the motion.

The Governor asked Mr. Burke and Mr. Huber to give a short argument. Mr. Burke stated that he had already given his. Mr. Huber, adjoining property owner was given the opportunity to speak on his behalf. He brought out several issues that he felt the Land Board should look into before completion of this exchange. He stated that this contract needs to be reworked and should not be signed today.

Nick Crema, Deputy Attorney General stated, with the assistance of Perry Whittaker, he reviewed the document as drafted. The document has been reviewed by the Contracts Division and stated that he is very comfortable with it. Mr. Crema addressed several of the issues that were raised by Mr. Huber.

Secretary of State Cenarrusa commended the Attorney General's office and Mr. Crema for the very thorough job that was done on this issue. He stated it was very well researched. Secretary of State Cenarrusa stated the he felt the exchange should be completed today.

There being no further discussion, the motion was brought to a vote. The motion carried 5-0.

Superintendent Fox stated that the gift of one million thirty dollars from Heidi Baldwin is incredible and thanked her for it as a matter of record.

Nick Crema, Deputy Attorney General stated that the exchange needs to be consummated by the signing of the deeds. Governor Batt called a break in the proceedings in order for the documents to be signed.

13. Administration and rental rates for the Flat Top Butte Communication Site
Alvin Carr, Commercial and Recreational Leasing Specialist will present background information
Co-chairs Superintendent Fox and Controller Williams will present sub-committee report

Director Hamilton stated that this agenda item has been before the Board before and was referred to a sub-committee to examine the communication site fee schedule and the administration and rental rates for Flat Top Butte Communication Site.

Mr. Alvin Carr provided a brief summary background of the issues. Mr. Dahmer, a lessee, provided a letter to the Board and was present at the meeting. The recommendation of the department is to adopt the department (IDL) fee schedule for state communication site leases, to include an annual adjustment based on CPI-U and approval of the new communication site leasing form.

The sub-committee recommended using the adopted fee schedule for existing BLM right-of-way grant/temporary use permits located on Flat Top Butte per legal counsel advice and, in accordance with that schedule, setting Mr. Dahmer's rental at \$1,053.70 for 1998.

Controller Williams stated that the sub-committee met and had a lengthy discussion with department staff and Mr. Dahmer. He stated that Mr. Dahmer provided a lot of information and background. However, in reviewing the legalities with staff, it was felt the recommendation is the best way for the state to go.

Mr. Dahmer stated that he entered into a rental agreement on BLM Flat Top Butte in 1988 for \$20.00 per acre. Mr. Dahmer stated that he believes State counsel has misread the 4300 regulations. Mr. Dahmer provided information to support his viewpoint.

Attorney General Lance asked if Mr. Dahmer would have the ability to terminate the lease and not pay the rental amount if the Board should choose to go with the recommendation of the sub-committee. Mr. Carr stated that is correct. Secretary of State Cenarrusa stated that he feels Flat Top Butte is a valuable site.

Director Hamilton said the sub-committee had considerable discussion as to how the BLM rental fee was established and the fact that the rules have been established and we are now obligated to follow them. They did not develop those rules based on the value of the underlying land, they

were based on the value of any site designated for communications. Both the BLM and the department looked for comparable sites. The department is convinced that the BLM fee schedule, which is comparable to the one the state has, (both being done independently), is a very reasonable way to establish rentals.

Superintendent Fox moved to adopt the recommendation of the department and the recommendation of the sub-committee. Controller Williams seconded the motion. Governor Batt asked to be excused from the vote due to a personal relationship with Mr. Dahmer. The motion carried 4-0.

14. Potential acquisition of private property – G.A.R. Building

Presented by Alvin Carr – Commercial and Recreational Leasing Specialist

Director Hamilton stated that this item is regarding potential acquisition of commercial property via land exchange. Alvin Carr provided the background information. The G.A.R. (Grand Army of the Republic) building is located at 714 W. State Street, Boise, between the Joe R. Williams building and St. Michael's Church.

The building is a 4,500 square foot two-story structure of brick and stone construction that was constructed in 1892 and is on the national registry of historical buildings. There is no on-site parking and the building is not handicapped accessible. The owners paid \$400,000 cash in July 1997, and would consider selling for \$550,000. Current renovation costs would be added to the asking price. The department had an appraisal completed on the property and the appraisal value was considerably less than the \$550,000 asking price by the current owners.

Governor Batt asked if they wanted to exchange with the Board. Mr. Carr stated that there was no formal exchange package at this time. Controller Williams stated that it was thought that it might be exchanged for some cottage site lots or possibly some grazing land.

Attorney General Lance asked why the department was considering this building for an exchange. Controller Williams said this is a historical building, across from the Capitol building, has a lot of potential use by state agencies and the state could make more money from this building, even renting to state agencies, than from cottage site lots or grazing leases. Controller Williams said the amounts have to become much closer before it can be considered. Attorney General Lance said he felt the state would never get a good return from its money on this building.

Considerable discussion was held on possible uses for the building if the state acquired it. No decisions were made on this agenda item.

15. Report to the Land Board on the Commercial Leasing Policy Working Group
Presented by Attorney General Alan G. Lance

Attorney General Lance presented the land board with a one-page report of issues discussed at the Commercial Leasing Policy Working Group meeting. State Controller J.D. Williams was present at this meeting and the other members of the board had a representative present.

Attorney General Lance stated that the bottom line is that there is a long way to go in the terms of commercial leases. He stated that he believed his report accurately reflected the areas that were discussed.

Governor Batt stated this was a good report that raised several interesting questions. He stated he was particularly interested in the portion regarding establishment of a work group to look at the Capital Park Plaza proposals. He stated there is not a real overall plan where we are headed. He said perhaps the appropriate vehicle for this would be the land board. The problems with having administration do it is that you change administrations now and then. You change land board members also but their mission really doesn't change.

Attorney General Lance stated that Pam Ahrens, Director for the Department of Administration and Larry Osgood were at the meeting and were very helpful. In that meeting, it was pretty apparent that the Department of Administration looks for the best deal for the state and our mission is to maximize the returns. These two may collide once in a while but he stated that he felt this could be worked through in terms of fair market value.

Governor Batt asked the Attorney General how he felt this would proceed. Attorney General Lance stated that the working group looking at Capital Park Plaza is a good prototype to find out what should or should not be done.

Superintendent Fox suggested that a checklist be developed for staff. This would allow some questions to be answered in advance. She felt it would be helpful in terms of who had looked at the property before, what is the value of the property, what would it be used for, etc. She felt that better decisions could be made with this information available.

Governor Batt commended the Attorney General and Controller Williams on their efforts on this issue.

INFORMATION AGENDA – (The following items are for informational purposes only and do not require any action.)

16. Timber sale activity report
17. Interest rate update
18. Triumph Mine update
19. Letter from Board of County Commissioners, Gooding County regarding Gooding TB Hospital

Director Hamilton stated that the Information Agenda is routine. He stated that the department is proceeding nicely on Triumph Mine. Director Hamilton addressed agenda item #19 regarding the Gooding TB Hospital and informed the Board that this is an issue that needs to be addressed.

Attorney General Lance suggested that staff, on behalf of the Land Board, write back to the County Commissioners and indicate that they ought to talk to their representatives and senator in terms of their legislative agenda regarding the razing of the TB Hospital. Director Hamilton said he would talk with them regarding this.

Superintendent Anne Fox moved that the land board go into Executive Session. Controller Williams seconded the motion. Motion carried on a vote of 5-0.


EXECUTIVE SESSION

20. Director's Salary

Governor Batt excused everyone except the Land Board and the Director's Salary was discussed.

The Land Board returned to Regular Session and adjourned with no further business to be brought before the Board.

IDAHO STATE BOARD OF LAND COMMISSIONERS

A handwritten signature in dark ink, appearing to read "Philip E. Batt", is written over a horizontal line. A large, semi-transparent "COPY" watermark is visible behind the signature.

President, State Board of Land Commissioners and
Governor of the State of Idaho

Pete T. Cenarrusa
COPY

Pete T. Cenarrusa
Secretary of State



Stanley F. Hamilton
COPY

Stanley F. Hamilton
Director, Idaho Department of Lands